

ARVON TOWNSHIP
BARAGA COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Arvon Township	County Baraga
Audit Date 3/31/04	Opinion Date 8/3/04	Date Accountant Report Submitted to State: 9/28/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC			
Street Address 310 SHELDEN AVENUE	City HOUGHTON	State MI	ZIP 49931
Accountant Signature <i>Debbie Bradford</i>		Date	

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Arvon Township
Skanee, Michigan

We have audited the accompanying general purpose financial statements of Arvon Township, as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township does not maintain adequate accounting records relative to its investment in general fixed assets. Accordingly, the general purpose financial statements referred to above do not include financial statements of the General Fixed Assets Account Group, which should be included in order to conform with generally accepted accounting principles.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Arvon Township, as of March 31, 2004, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2004 on our consideration of Arvon Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of Arvon Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 3, 2004



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Arvon Township
Skanee, Michigan

We have audited the financial statements of Arvon Township as of and for the year ended March 31, 2004, and have issued our report thereon dated August 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether Arvon Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Arvon Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

August 3, 2004

ARVON TOWNSHIP
COMBINED BALANCE SHEETS
ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
ASSETS AND OTHER DEBITS:				
Cash	\$ 70,053	\$ 77,533	\$ 10,389	\$ 157,975
Taxes receivable	1,905	5,120	14	7,039
Due from other funds	3,335	3,326	-	6,661
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 75,293</u>	<u>\$ 85,979</u>	<u>\$ 10,403</u>	<u>\$ 171,675</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 5,451	\$ -	\$ 5,451
Due to other funds	-	-	6,661	6,661
Due to other governmental units	8	-	3,742	3,750
TOTAL LIABILITIES	<u>8</u>	<u>5,451</u>	<u>10,403</u>	<u>15,862</u>
FUND EQUITY AND OTHER CREDITS:				
Fund balance:				
Unreserved	75,285	80,528	-	155,813
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 75,293</u>	<u>\$ 85,979</u>	<u>\$ 10,403</u>	<u>\$ 171,675</u>

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
REVENUES:			
Taxes	\$ 23,479	\$ 77,446	\$ 100,925
Federal	4,824	-	4,824
State	33,727	2,497	36,224
Charges for services	16,094	5,543	21,637
Interest	946	651	1,597
Other	14,249	11,383	25,632
TOTAL REVENUES	93,319	97,520	190,839
EXPENDITURES:			
Assessor	12,114	-	12,114
Supervisor	4,625	-	4,625
Clerk	4,600	-	4,600
Treasurer	8,489	-	8,489
Board of Review	1,259	-	1,259
Zoning and Planning	-	875	875
Township Board	25,035	-	25,035
Township Property	10,980	-	10,980
Parks & Recreation	195	-	195
Liquor Law Enforcement	-	586	586
Elections	52	-	52
Legal & Accounting	1,583	-	1,583
Building Inspector	1,732	-	1,732
Ambulance Fund	-	7,380	7,380
Roads and Streets	-	46,815	46,815
Cemetery	2,381	-	2,381
Building Fund	-	3,718	3,718
Fire Protection	5,030	12,620	17,650
TOTAL EXPENDITURES	78,075	71,994	150,069
EXCESS OF REVENUES OVER EXPENDITURES	15,244	25,526	40,770
OTHER FINANCING SOURCES (USES):			
Transfer in	-	450	450
Transfer out	(450)	-	(450)
TOTAL OTHER FINANCING SOURCES (USES)	(450)	450	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	14,794	25,976	40,770
FUND BALANCE, BEGINNING OF YEAR	60,491	54,552	115,043
FUND BALANCE, END OF YEAR	\$ 75,285	\$ 80,528	\$ 155,813

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

	General			Special Revenue		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 33,048	\$ 23,479	\$ (9,569)	\$ 76,173	\$ 77,446	\$ 1,273
Federal	4,824	4,824	-	-	-	-
State	33,727	33,727	-	2,497	2,497	-
Charges for services	6,297	16,094	9,797	5,543	5,543	-
Interest	902	946	44	642	651	9
Other	14,249	14,249	-	11,383	11,383	-
TOTAL REVENUES	93,047	93,319	272	96,238	97,520	1,282
EXPENDITURE						
Assessor	12,114	12,114	-	-	-	-
Supervisor	4,625	4,625	-	-	-	-
Clerk	4,600	4,600	-	-	-	-
Treasurer	8,489	8,489	-	-	-	-
Board of Review	1,332	1,259	73	-	-	-
Zoning and Planning	-	-	-	875	875	-
Township Board	25,036	25,035	1	-	-	-
Township Property	10,980	10,980	-	-	-	-
Parks & Recreation	195	195	-	-	-	-
Liquor Law Enforcement	-	-	-	586	586	-
Elections	52	52	-	-	-	-
Legal & Accounting	1,583	1,583	-	-	-	-
Building Inspector	1,732	1,732	-	-	-	-
Ambulance Fund	-	-	-	7,370	7,380	(10)
Roads and Streets	-	-	-	45,488	46,815	(1,327)
Cemetery	2,381	2,381	-	-	-	-
Building Fund	-	-	-	3,718	3,718	-
Fire Protection	5,126	5,030	96	12,620	12,620	-
TOTAL EXPENDITURES	78,245	78,075	170	70,657	71,994	(1,337)
EXCESS OF REVENUES OVER EXPENDITURES	14,802	15,244	442	25,581	25,526	(55)
OTHER FINANCING SOURCES (USES):						
Transfer in	-	-	-	450	450	-
Transfer out	(450)	(450)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(450)	(450)	-	450	450	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 14,352	14,794	\$ 442	\$ 26,031	25,976	\$ (55)
FUND BALANCE, BEGINNING OF YEAR		60,491			54,552	
FUND BALANCE, END OF YEAR		\$ 75,285			\$ 80,528	

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Arvon Township is located in Baraga County, Michigan, and encompasses an area of 47.5 square miles. The Township operates under an elected Board of Trustees of five (5) members and provides services to a population of approximately 482 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Arvon Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

THE FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the Arvon Township contain all of the Township's funds. There are no other governmental units within the Township that are controlled by or dependent upon the Township's Board of Trustees. Control by or dependence on the Township was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Road Improvement, Fire Protection, Ambulance, Liquor Law Enforcement, Building Improvement, and Zoning are special revenue type funds.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Non-expendable Trust Funds are reported in the financial statements as a Fiduciary Fund Type.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

BUDGETARY DATA

The Township follows these procedures in establishing the budgetary data:

- a. Each February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1, and submits this proposed budget to the Township Board of Trustees at the regular March meeting.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

PROPERTY TAXES

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied, in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).

The Township collects its own property taxes, and also collects property taxes for the County, School District, and the Public Library within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2003 taxable valuation of the Arvon Township amounted to \$24,808,986 on which ad valorem taxes of \$23,479 were levied for Township operating purposes (.9467 mills), \$22,697 for Township fire protection (.9149 mills), \$43,630 for Township road improvement (1.7590), and \$9,690 for Township ambulance (.3906). These amounts are recorded as revenue on the Township's records for the fiscal year ending March 31, 2004.

TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

CASH AND INVESTMENTS

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits, and savings accounts. Investments consist of the Perpetual Care Trust and are stated at cost, plus accrued interest.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States Government or Federal Agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local governments in Michigan. Financial institutions eligible for deposits of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of township funds. The Township Board in accordance with Public Act 196 of 1997 adopted an investment policy.

CASH DEPOSITS

Governmental Accounting Standards Board (GASB) Statement No. 3, requires reporting risk disclosures. At March 31, 2004, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was \$157,975 with a corresponding bank balance of \$205,167. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$110,389, representing approximately 54% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$110,389 was insured and \$93,778 was neither insured nor collateralized.

NOTE C - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 3,335	Tax Collection Fund	\$ 3,335
Fire Protection	992	Tax Collection Fund	992
Ambulance	425	Tax Collection Fund	425
Road Improvement	1,909	Tax Collection Fund	1,909
TOTALS	\$ 6,661		\$ 6,661

ARVON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE D - BUDGET OVER EXPENDITURES

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
Ambulance Fund	\$7,370	\$7,380	(\$10)
Roads and Streets Fund	\$45,488	\$46,815	(\$1,327)

NOTE E - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL FINANCIAL INFORMATION

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2004

	2004
REVENUES:	
TAXES:	
Property tax	\$ 23,479
FEDERAL:	
Payments in lieu of tax (PILT)	4,824
STATE:	
State shared revenues	33,727
CHARGES FOR SERVICES:	
Charges for services	2,092
Administration and collection fees	14,002
Total charges for services	16,094
INTEREST	946
OTHER:	
Other revenues	946
Land division	1,325
Miscellaneous	10,323
Rents & Royalties	1,655
Total other	14,249
TOTAL REVENUES	93,319
EXPENDITURES:	
ASSESSOR:	
Salaries	10,761
Supplies	1,026
Dues & Memberships	230
Travel expenses	97
Total assessor	12,114
SUPERVISOR:	
Salaries	4,625
Travel expenses	-
Total supervisor	4,625
CLERK:	
Salaries	4,500
Supplies	100
Total clerk	4,600
TREASURER:	
Salaries	6,500
Supplies	1,824
Dues & Memberships	-
Travel expenses	75
Equipment	90
Total treasurer	8,489

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Year Ended March 31, 2004

	2004
Board of Review:	
Salaries	975
Dues & Memberships	60
Printing and publishing	131
Travel expenses	17
Miscellaneous	76
	<hr/>
Total board of review	1,259
	<hr/>
TOWNSHIP BOARD:	
Salaries	1,340
Employee benefits	2,617
Supplies	5,150
Dues & Memberships	433
Printing and publishing	163
Insurance	12,714
Miscellaneous	2,618
	<hr/>
Total township board	25,035
	<hr/>
Township Property:	
Salaries	4,500
Supplies	515
Utilities	4,622
Repairs and maintenance	558
Miscellaneous	785
	<hr/>
Total township property	10,980
	<hr/>
Parks & Recreation:	
Utilities	85
Repairs and maintenance	10
Contract labor	100
	<hr/>
Total parks & recreation	195
	<hr/>
ELECTIONS:	
Printing and publishing	52
	<hr/>
Total elections	52
	<hr/>
Legal & Accounting:	
Contract Labor	1,583
	<hr/>
Building Inspector:	
Contract Labor	1,732
	<hr/>
Cemetery:	
Salaries	1,011
Supplies	1,200
Repairs and maintenance	-
Contract labor	170
	<hr/>
Total cemetery	2,381
	<hr/>

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Year Ended March 31, 2004

	<u>2004</u>
Fire Protection:	
Supplies	801
Utilities	3,539
Repairs and maintenance	690
	<u>5,030</u>
Total fire protection	5,030
TOTAL EXPENDITURES	<u>78,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,244
OTHER FINANCING USES:	
Transfer out	450
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	14,794
FUND BALANCE, BEGINNING OF YEAR	60,491
FUND BALANCE, END OF YEAR	<u><u>\$ 75,285</u></u>

ARVON TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
March 31, 2004

	Road Improvement	Fire Protection	Ambulance	Liquor Law Enforcement	Building Improvement	Zoning	Total (Memorandum Only)
ASSETS:							
Cash	\$ -	\$ 66,276	\$ 6,677	\$ 297	\$ 4,139	\$ 144	\$ 77,533
Taxes receivable	3,542	1,131	447	-	-	-	5,120
Due from other funds	1,909	992	425	-	-	-	3,326
TOTAL ASSETS	\$ 5,451	\$ 68,399	\$ 7,549	\$ 297	\$ 4,139	\$ 144	\$ 85,979
LIABILITIES:							
Accounts payable	\$ 5,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,451
FUND EQUITY:							
Fund balance	-	68,399	7,549	297	4,139	144	80,528
TOTAL LIABILITIES AND FUND EQUITY	\$ 5,451	\$ 68,399	\$ 7,549	\$ 297	\$ 4,139	\$ 144	\$ 85,979

ARVON TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2004

	Road Improvement	Fire Protection	Ambulance	Liquor Law Enforcement	Building Improvement	Zoning	Total (Memorandum Only)
REVENUES:							
Taxes	\$ 45,057	\$ 22,699	\$ 10,044	\$ -	\$ -	\$ -	\$ 77,446
State	-	-	-	550	-	-	2,497
Charges for services	-	-	-	-	5,093	450	5,543
Interest	-	651	-	-	-	-	651
Other	1,758	11,181	37	-	-	-	11,383
TOTAL REVENUES	46,815	34,531	10,081	550	5,093	450	97,520
EXPENDITURES:							
Salaries	-	-	-	498	-	-	498
Payroll taxes	-	-	-	38	-	-	38
Supplies	-	-	314	50	118	-	482
Utilities	-	-	162	-	-	-	162
Dues & Memberships	-	-	25	-	280	-	305
Printing and publishing	-	-	-	-	35	85	120
Contract labor	46,815	-	6,879	-	-	-	53,694
Miscellaneous	-	-	-	-	-	-	-
Capital Outlay	-	12,620	-	-	-	-	12,621
Contract Labor	-	-	-	-	3,285	790	4,075
TOTAL EXPENDITURES	46,815	12,620	7,380	586	3,718	875	71,995
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	21,911	2,701	(36)	1,375	(425)	25,526
OTHER FINANCING SOURCES (USES):							
Transfer in	-	-	-	-	-	450	450
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	21,911	2,701	(36)	1,375	25	25,976
FUND BALANCE, BEGINNING OF YEAR	-	46,488	4,848	333	2,764	119	54,552
FUND BALANCE, END OF YEAR	\$ -	\$ 68,399	\$ 7,549	\$ 297	\$ 4,139	\$ 144	\$ 80,528

ARVON TOWNSHIP
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

TAX COLLECTION FUND

	<u>Balance 3/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
ASSETS:				
Cash	\$ 37,304	\$ 860,187	\$ 887,088	\$ 10,403
TOTAL ASSETS	<u>\$ 37,304</u>	<u>\$ 860,187</u>	<u>\$ 887,088</u>	<u>\$ 10,403</u>
LIABILITIES:				
Due to other funds	\$ 5,319	\$ 103,160	\$ 101,818	\$ 6,661
Due to other governmental units	<u>31,985</u>	<u>757,027</u>	<u>785,270</u>	<u>3,742</u>
TOTAL LIABILITIES	<u>\$ 37,304</u>	<u>\$ 860,187</u>	<u>\$ 887,088</u>	<u>\$ 10,403</u>



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LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Arvon Township
Skanee, Michigan

We have audited the general purpose financial statements of the Arvon Township, for the year ended March 31, 2004, and have issued our report thereon dated August 3, 2004. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by auditing standards generally accepted in the United States of America.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Over expenditures occurred in the Ambulance Fund and the Roads and Streets Fund:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variances</u>
Ambulance Fund	\$7,370	\$7,380	(\$10)
Roads and Streets Fund	\$45,488	\$46,815	(\$1,327)

We recommend that timely revisions be made to the budget appropriations so that these over expenditures do not occur in the future.

Insured Deposits

We noted that approximately fifty-eight percent (54%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Township.

General Fixed Assets

A General Fixed Assets group of accounts should be established for the Township. This would include an inventory of all Township properties owned, segregated by land, buildings, and equipment, priced at cost or an appraised value where actual costs are difficult or impossible to determine.

Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that government-wide financial statements be prepared using full accrual accounting. This change requires townships place a value on all capital assets, calculate and record depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements. Although the implementation of GASB 34 is not required until financial statements for fiscal year March 31, 2005, implementation affects the first date of that fiscal year.

We would like to thank the staff for the excellent cooperation we received during the audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 3, 2004